

**SOUTH CAROLINA  
WORKERS' COMPENSATION COMMISSION  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2018**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

March 18, 2019

Members of the South Carolina Workers' Compensation Commission  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Workers' Compensation Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina Workers' Compensation Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor  
Agreed-Upon Procedures Related to Workers' Compensation Commission (R08)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$3,000 and 10% for the General Fund, \$100,000 and 10% for the Earmarked Fund, and \$25,000 and 10% for the Restricted Fund.
2. Randomly select ten cash receipts transactions and inspect supporting documentation to:
  - Agree transaction amount, date, payor, document number, and account classification to the general ledger.
  - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
  - Ensure that both revenue collections and amounts charged are properly authorized by law.
  - Determine that receipts are recorded in the proper fiscal year.

**Finding:**

According to the South Carolina Code of Laws section 42-5-190, the Commission collects self-insurance tax paid and is authorized to retain fifty percent of the tax in the earmarked fund. The remaining balance is remitted to the general fund. The total self-insurance tax was \$5,218,895. In FY18, the Commission retained approximately fifty-five percent (\$2,859,447) of the total self-insurance tax in the earmarked fund instead of fifty percent (\$2,609,447).

**Management's Response:**

Upon determining the agency miscalculated the amount of self-insurance tax funds to be retained by the Commission for FY2018 by \$250,000, the books were closed for FY2018 and we were unable to make the correction. To correct the error made in the FY2018 transfer, the agency transferred \$250,000 from the self-insurance tax funds in FY2019. As a result of this activity, the agency has implemented a procedure to ensure the total amount of self-insurance tax revenue collected for the respective fiscal year is correct in order to calculate the correct amount of funds to be transferred to the general fund.

**Cash Disbursements/Non-Payroll Expenditures**

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% for the General Fund, and \$50,000 and 10% for the Earmarked Fund.
4. Haphazardly select five purchasing card transactions from the Comptroller General's listing of purchasing card transactions for Fiscal Year 2018 to determine:
  - The cardholder is an authorized user.
  - The purchase is authorized based on the cardholder's job title/position.
  - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
  - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

### Finding:

We observed four out of five purchasing card transactions inspected did not have either of the two required signatures on the cardholder activity statements as required in the Division of Procurement Services Materials Management Office Purchasing Card Policy and Procedures Manual. Also, one out of five transactions inspected had the cardholder's signature but not the second required signature.

Additionally, we observed a purchase in excess of the cardholder's single transaction limit. The cardholder's limit was \$2,500. However, one of the transactions inspected exceeded that limit by \$1,301.

### Management's Response:

The agency was not aware of the requirement of two signatures on the cardholder activity statement. As a result of this finding the agency implemented a procedure to require two signatures on the cardholder activity statement before the invoice is submitted to accounts payable for payment.

With regard to the finding of one transaction exceeding the spending limit of the purchasing card by \$1,301, the transaction occurred at the beginning of the year at which time the agency was in a transition of implementing the use of purchasing cards vs direct pay. The agency has implemented procedures and educated the holders of the purchasing cards to ensure the spending limit is not exceeded in the future.

### Payroll

5. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% for the General Fund, and \$50,000 and 10% for the Earmarked Fund.
6. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
7. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
10. Haphazardly select five bonus pay disbursements to determine:
  - Employee does not make more than \$100,000 annually.
  - Bonuses received during the year did not exceed \$3,000.
  - Transaction was appropriately documented and approved.

We found no exceptions as a result of these procedures.

## Journal Entries and Transfers

11. Haphazardly select four journal entries and one transfer for the fiscal year to:
  - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
  - Confirm transaction is properly approved.
  - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

## Reporting Packages

12. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
13. In addition to the procedure above, perform the following:

- Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) One haphazardly selected payment for three vendors included in the remaining rental payment classifications (selection of three total payments); and (3) All future rental payments to be received for property leased to others.

- Litigation Reporting Package

Determine if the Commission had approval from the Attorney General's Office to hire attorneys and to ensure proper coding of legal and attorney payments based on inspection of the SCEIS general ledger and the Yearend Rptg – Litigation Expense. Haphazardly select five transactions to inspect for proper approval, amounts charged within approved limits, and service date range.

- Accounts Payable

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg -Prior Year Payables with Vendor and/or Commission prepared records. Haphazardly select three transactions to determine if the fund, dollar amount, and payable category are accounted for properly.

## **Reporting Packages (Continued)**

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records. In addition, select all payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

We found no exceptions as a result of these procedures.

## **Minutes**

14. Inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

## **Status of Prior Findings**

15. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedure.

## **Governance, Risk and Compliance (GRC) SCEIS Module**

16. Inspect the two controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

## **Appropriation Act**

17. Inspect the appropriation act work program, provided to and completed by management, confirming areas of noncompliance, if any.
18. Confirm compliance with all agreed-upon Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

## **Taxable Subsistence**

19. Haphazardly select nine taxable subsistence batch payments in order to isolate and haphazardly select one specific taxable subsistence payment from each batch payment to determine:
- Disbursement complied with applicable State laws, rules, and regulations.
  - Recipient is a Commissioner.
  - Transaction was properly coded as Taxable Subsistence.
  - Payment was made in the proper fiscal year.

We found no exceptions as a result of the procedure.

## **Petty Cash Closeout**

20. Inquire with management and confirm the petty cash account was properly closed in FY18 in accordance with applicable State laws, rules, and regulations.

We found no exceptions as a result of the procedure.